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Nov 4, 1999

MP3 piracy hype clouds larger issue

Huge numbers of new digital technologies are affecting every industry. The challenge for senior executives is understanding how a particular technology may affect their sector, particularly when hype and hysteria accompany reports of new developments.

This is abundantly evident with MP3, which is just the latest in a



E-BIZ

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long line of musical formats that include records, eight-track tapes, cassettes and CDs.

The challenge in grasping the impact of MP3 is that practically every article focuses on it being used for widespread musical piracy and theft over the Internet.

The intense coverage of just one aspect of this technology has persuaded many music and entertainment executives that MP3 simply lets bad people do bad things.

They are missing the broader point that it will dramatically affect almost every industry involved with entertainment.

MP3 isn't hard to understand. It's a method by which songs can be stored on a computer. Yes, you can steal MP3 songs on-line. But it has practical aspects, too.

In the past few months, I've converted hundreds of CDs I own into MP3 files on a computer. By now, those files run to 6,500-plus songs.

The computer that stores the songs is plugged into a stereo. Rather than loading five discs into a CD-changer, I can now randomly listen to songs from more than 700 CDs. Not only that, but I can easily organize song lists, and access them with the click of a mouse.

My CD player has been rendered irrelevant. While I still buy CDs (I'm an honest fellow and don't want to steal), I immediately convert them into MP3 format. As soon as someone chooses to sell music from popular artists in MP3 format, I'll be lined up at the door.

It's a rule of business that you should listen to your customers. Executives in this industry should understand that their customers are computer experts in the research labs and garages of the world. They are developing products that essentially redefine the industry that "belongs" to someone else.

For a glimpse of the future, take a look at the Creative Labs' Nomad (www.nomadworld.com). Lightweight and smaller than a cigarette pack, it's basically a tiny computer with earphones. Or take a look at the MP3 Anywhere product (www.x10.com/mp3_x10/mp3_anywhere.htm), the Audio-Request home stereo component (www.audiorequest.com/home.html) or Mozart's Music Box (www.macpower.com.tw).

These are a small sampling of the technological behemoth sweeping the music industry. But the impact doesn't stop with products such as these. This technology permits anyone with a personal computer to establish a radio station, which should cause concern among broadcast executives.

If you doubt this, check out www.shoutcast.com to catch a glimpse of the future of broadcasting in action.

Still, many executives in the music, broadcast and audio products industries remain focused on the piracy issue, and don't grasp that customers are reshaping their business and leaving them behind.

MP3 is but one example of a technology development that results in massive upheaval. Executives must identify, analyze and comprehend how emerging technologies are set to redefine the essence of their industry.

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